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## MISTAKES IN FINANCIAL PLANNING

*And How to Avoid Them*



***As you plan for your future, you face unique challenges and opportunities. This special report provides insights on mistakes in financial planning and steps to avoid them.***

*Too often, people spend so much time and energy on their careers and life's daily tasks that they neglect their personal financial future. When they assume they have to do it alone, planning can be daunting.*






*Our goal is to give you resources to make smart financial decisions. We want you to have the support and resources to build your future confidently.*



# MISTAKE #1

## Not Keeping a Budget

Taking a closer look at your spending habits is an essential step in meeting your current needs and planning for your future. Budgeting helps you:

-  Navigate Goals
-  Plan for Emergencies
-  Prepare for Retirement
-  Save for Large Purchases
-  Allocate for Fun

While you do not need to track every penny, you should know approximately how your spending fits into five categories: **(1) Housing, (2) Bills, (3) Taxes, (4) Future, and (5) Play.** Then, you can determine if adjustments need to be made.

As a good budgeting rule of thumb, approximately 20% your gross income should be allocated to each of these categories. Saving at least 20% of your income, or establishing a plan to target that savings rate in a reasonable and specific amount of time, is essential to financial flexibility in your future.

### What To Do Now

1. Start keeping track of your expenses. Consider an Excel spreadsheet or eMoney.
2. Complete the worksheets below.

<b>Housing</b>	Monthly Expenses	Annual Expenses
Mortgage P&I (or Rent)	\$	x 12 \$
Private Mortgage Insurance	\$	x 12 \$
Homeowner's Insurance	\$	x 12 \$
Property Taxes	\$	x 12 \$
Association Dues	\$	x 12 \$
Other	\$	x 12 \$
<b>TOTAL</b>		<b>\$</b>

<b>Taxes</b>	Monthly Expenses	Annual Expenses
Federal	\$	x 12 \$
State	\$	x 12 \$
Local	\$	x 12 \$
FICA	\$	x 12 \$
<b>TOTAL</b>		<b>\$</b>

<b>Bills</b>	Monthly Expenses	Annual Expenses
Utilities	\$	x 12 \$
Phone	\$	x 12 \$
Internet	\$	x 12 \$
Auto Payment	\$	x 12 \$
Auto Insurance	\$	x 12 \$
Other Transportation	\$	x 12 \$
Health Insurance	\$	x 12 \$
Health Care Expenses	\$	x 12 \$
Disability Insurance	\$	x 12 \$
Life Insurance (Term)	\$	x 12 \$
Groceries/Food	\$	x 12 \$
Student Loan Payments	\$	x 12 \$
Other	\$	x 12 \$
Other		
<b>TOTAL</b>		<b>\$</b>

<b>Future/Savings</b>	Monthly Contributions	Annual Contributions
Permanent Life Insurance	\$ x 12	\$
Roth IRAs/ Traditional IRAs	\$ x 12	\$
401(k) / Retirement Plan	\$ x 12	\$
Retail Investments	\$ x 12	\$
Education Plans	\$ x 12	\$
Bank Accounts	\$ x 12	\$
Health Savings Account	\$ x 12	\$
Other	\$ x 12	\$
<b>TOTAL</b>		<b>\$</b>

<b>Play</b>	Monthly Expenses	Annual Expenses
Vacations/Travel	\$ x 12	\$
Entertainment	\$ x 12	\$
Eating Out	\$ x 12	\$
Gifts	\$ x 12	\$
Donations	\$ x 12	\$
Hobbies	\$ x 12	\$
Sports	\$ x 12	\$
Other	\$ x 12	\$
<b>TOTAL</b>		<b>\$</b>

3. Take the total from each category and insert into the formula.

$$\frac{\text{Annual Household Income}}{\text{Annual Household Income}} \times 100 = \%$$

4. Categorize.

**Housing** %

**Bills** %

**Taxes** %

**Future** %

**Play** %



MISTAKE #

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## Assuming Work Benefits Are All You Need

Your employer may provide you with great employee benefits. You may have access to:

- Health/Dental/Vision Insurance
- Health Savings Account or Flexible Savings Account
- Life Insurance & Disability Insurance
- Paid Time Off
- 401(k)
- Stock Options
- Executive Compensation or Bonuses

If you have access to any of these benefits, that is great! However, even if you have all of them, there may still be short-falls.



*Did you know employer-sponsored disability insurance might only cover 50-60% of your income if you are injured or sick? How will you make up the other 40-50% of your income if you cannot work?*



*Even with a 401(k), your savings rate might fall short.*



*You may have 1-2x your income in life insurance through your employer, but will your family need support for more than two years?*

### What To Do Now

1. Confirm your benefits through your employer or HR department. Understand what is available.
2. Know when you have open enrollment or how you can make changes.
3. Make sure you take advantage of any company retirement match.
4. Understand your tax options with pre-tax benefits and possible Roth options.
5. Work with a professional to make sure your income and loved ones are covered if something happens to you.

If you have investment accounts and you are contributing toward your future, congratulations! However, you may be invested in a default option that is not the best investment choice for your specific needs and your future.

Knowing your how much risk you are taking in your portfolio and your expected return will help you invest confidently. You should know how you are invested.

### What To Do Now

1. Log into your accounts.
2. Figure out where you have investments and how much is in there.
3. [Find your risk number.](#)
4. Understand your risk so you don't make emotional investment decisions.
5. Make changes based on analytics.

MISTAKE #

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## Not Knowing Your Investments

MISTAKE #

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## Doing It Alone

Assuming you have to take all these steps and make decisions alone can be overwhelming. You may be focused on a career, raising a family, or building a business. In life, you have to solve problems faster than they arise. If you are doing it alone, that might seem impossible. If you have a team of seven on your side, that becomes a lot easier.

We believe financial health is important, just like your physical health. You would not perform surgery on yourself. Just like you should get an annual physical with your doctor, you can work with a financial professional for a financial check-up and to track your progress. Don't assume you have to do it alone!

### **What To Do Now**

1. Make sure you are working with a fiduciary. Your best interest is their top priority.
2. Build a financial plan. See projections and know your next steps. Managing your investments is only one part of a plan. There is so much more!
3. Meet regularly to review your plan.

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## How We Can Help

*We want to help you make smart financial decisions to build your future confidently. That is why we focus on sophisticated planning and financial education. We have developed a reputation for educating both individuals and businesses within our community and across the country.*



*If you have any questions about the information you read or would like to discuss your specific needs, please contact us. We would be delighted to speak with you!*



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